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UNCLAS PRETORIA 003472

SIPDIS

E.O. 12958: N/A

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SUBJECT: SOUTH AFRICAN GOVERNMENT PROPOSES CHARTER FOR BLACK EMPOWERMENT IN AGRICULTURE

¶1. SUMMARY: The South African Department of Agriculture released its proposal for black economic empowerment (BEE) in the agricultural sector this week. The draft charter calls for major changes in the racial demography of the sector within ten years. The vastly white agricultural community criticized the proposal, with one group claiming it would lead to the collapse of the sector. END SUMMARY.

¶2. The South African Government released a draft agricultural charter for black economic empowerment (BEE) July 26. The charter, known as AgriBEE, sets out targets for the country's agricultural sector including 35% black ownership of agricultural enterprises by 2008. The draft charter also stated that 50% of agricultural land (a 20 percentage point increase over the original 30% proposal), including that owned by the state, should be available to black farmers by 2014. One provision calls for farmers to allocate 10% of their land to farmworkers for their own activities. Farmers will also be expected to procure 70% of their inputs from BEE companies by 2015. The transfer of farms envisaged by the charter will cost the government no less than 50 billion Rand. The charter applies to "all economic activities relating to the provision of agricultural inputs, services, farming, processing, distribution, logistics, and allied activities that add value to agricultural products." Agricultural Minister Thoko Didiza said, "Given the history of injustices in our country, this is a means to redress such imbalances."

¶3. The response of South Africa's predominantly white agricultural community to the charter has been overwhelmingly negative. Mr. Bully Botma, Grain South Africa's chairman, said that many of the key elements of the document agreed upon by the stakeholders and role-players had been omitted whilst many others had been unilaterally introduced, making "a mockery of the whole negotiation process." Pieter Mulder, leader of the Freedom Front Plus (a conservative political party representing mainly Afrikaner interests), issued a statement denouncing the document for "unrealistic timeframes, too little emphasis on productivity, and the creation of unachievable expectations," and focusing "only on quotas." The Transvaal Agricultural Union (TAU) stated that the AgriBEE framework would lead to the collapse of agriculture in South Africa, placing the country on the same route as Zimbabwe. They also stated, "Our initial opinion is that the proposed framework will destroy the principle of property rights and the free market system." Agricultural Business Chamber CEO Tobias Doyer said that the government was creating a "very difficult challenge," especially in terms of finding the financial capital to reach the targets. To put things in perspective, only about 3% of farmland has been transferred to black ownership since 1994.

¶4. The charter is open to negotiation until November, when a final draft will be prepared for ratification by the cabinet. Motsepe Matlala, the president of the National African Farmers Union (NAFU), which represents black farmers' interests, said he did not think the targets were especially tough, "provided that the government worked together with the private sector." However, he was "sure that discussions over the next few months may shift the views of the government." AgriSA executive director Hans van der Merwe said that the first draft is "a point of departure for robust discussion," especially as there is no indication in the charter of how emerging farmers will receive crucial support. Democratic Alliance agricultural spokesman Kraai van Niekerk suggests the charter should follow the example set by the information, communication, and technology (ICT) and financial sectors, in which private industry was invited to work on the drafts. Minister Didiza will appoint a steering committee which will "adequately reflect the agricultural sector and the government" to undertake consultations regarding the charter.

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